

**PECK COMMUNITY SCHOOLS**

Peck, Michigan

**REPORT ON FINANCIAL STATEMENTS**

(with additional information)

June 30, 2007

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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August 8, 2007

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Peck Community Schools  
Peck, Michigan 48466

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Peck Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2007 on our consideration of Peck Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through x and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Peck Community Schools  
August 8, 2007

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peck Community Schools' basic financial statements. The additional information on pages 24 to 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*  
ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

# PECK COMMUNITY SCHOOLS

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## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

Peck Community Schools, a K-12 school district located in Sanilac County, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Peck Community Schools' Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: Fund Financial Statements and District Wide Financial Statements.

### Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds, not the School District as a whole. The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The District has two kinds of funds:

- **Governmental Funds:** All of the District's basic services are provided in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of governmental funds statements explains the relationship (or differences) between them. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds and the School Service Funds, which are comprised of: Food Service and Athletics.
- **Fiduciary Funds:** The District is the trustee or fiduciary agent for assets that belong to others in the student activities agency fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded in the fund financial statements.

# **PECK COMMUNITY SCHOOLS**

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## **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007**

### **District Wide Financial Statement**

The District wide financial statements report using the full accrual basis of accounting. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

### **Financial Position and Results of Operations**

The School District's net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating, respectively. The relationship between revenues and expenses indicates the School District's operating results. To assess the School District's overall health, it is important to consider additional non-financial factors such as the quality of educational services provided, the condition of school building and facilities, the safety of the schools and other non-financial factors.

# PECK COMMUNITY SCHOOLS

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

### Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30, 2007.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<b>Assets</b>		
Current assets	<u>\$2,407,776</u>	<u>\$2,340,279</u>
Capital assets	6,721,575	6,490,404
Less: Accumulated Depreciation	<u>(2,720,122)</u>	<u>(2,663,380)</u>
Capital Assets, net book value	<u>4,001,453</u>	<u>3,827,024</u>
Total assets	<u><u>\$6,409,229</u></u>	<u><u>\$6,167,303</u></u>
<b>Liabilities</b>		
Current liabilities	\$ 733,597	\$ 687,324
Long-term liabilities	<u>1,795,929</u>	<u>1,771,730</u>
Total liabilities	<u><u>\$2,529,526</u></u>	<u><u>\$2,459,054</u></u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$2,029,070	\$1,901,404
Restricted for debt service	56,740	57,830
Unrestricted	<u>1,793,893</u>	<u>1,749,015</u>
Total net assets	<u><u>3,879,703</u></u>	<u><u>3,708,249</u></u>
Total net assets and liabilities	<u><u>\$6,409,229</u></u>	<u><u>\$ 6,167,303</u></u>

# PECK COMMUNITY SCHOOLS

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

### Analysis of Financial Position:

During the fiscal year ended June 30, 2007, the District's net assets increased by \$171,454. A few of the significant factors affecting net assets during the year, are discussed below:

#### A. General Fund Operations

The District's revenues were more than expenditures by \$48,396 for the fiscal year ended June 30, 2007. See the section entitled Results of Operations, below, for further discussion of General Fund Operations.

#### B. Debt, Principal Payments

The District took out a new 10 year energy efficiency project loan and a new 5 year bus loan during the year.

The District made principal payments on long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance June 30, 2006	Principal Payments June 30, 2007	New Loans June 30, 2007	Principal Balance June 30, 2007
Bonds Payable	\$ 1,850,000	\$150,000		\$1,700,000
Compensated Absences Payable	16,720		\$ 5,200	21,920
Bus Notes Payable	43,566	21,344	59,003	81,225
Energy Note Payable	-	15,615	185,000	169,385
Copier Note Payable	<u>32,054</u>	<u>10,281</u>	<u>-</u>	<u>21,773</u>
Total Long-Term Debt	<u>\$ 1,942,340</u>	<u>\$197,240</u>	<u>\$249,203</u>	<u>\$1,994,303</u>



# PECK COMMUNITY SCHOOLS

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

### C. Net Investment in Capital Assets

The District's net investment in capital assets increased by \$174,429 during the fiscal year. This can be summarized as follows:

	<b>BALANCE</b>			<b>BALANCE</b>
	<b><u>JULY 1, 2006</u></b>	<b><u>ADDITIONS</u></b>	<b><u>DELETIONS</u></b>	<b><u>JULY 1, 2007</u></b>
Assets not being depreciated - land	\$ 50,000			\$ 50,000
Other capital assets:				
Land improvements	400,409			400,409
Building and additions	4,866,242			4,598,963
Machinery and equipment	789,906	\$293,852	\$81,451	1,155,863
Transportation equipment	383,847	59,003	40,233	516,340
Subtotal	6,440,404	352,855	121,684	6,671,575
Accumulated depreciation	(2,663,380)	(178,426)	(121,684)	(2,720,122)
Net Other capital assets:	3,777,024	174,429	0	3,951,453
Net capital assets	\$ 3,827,024	\$174,429	0	\$4,001,453

In 1996, Peck voters approved a \$3.2 million, general obligation bond issue. The proceeds from that bond issue were used for constructing additions to and remodeling of existing school facilities, technology and infrastructure and equipping and updating equipment within the facility. The capital project was completed in the fiscal year ended June 30, 1997. Prior to 1996, the District's most recent bond issue had been 1976.

# PECK COMMUNITY SCHOOLS

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

### Results of Operations:

For the fiscal year ended June 30, 2007, the District wide Results of Operations were:

	June 30, 2007		June 30, 2006	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property taxes	\$ 372,185	7.05%	\$ 373,638	7.46%
Investment earnings	70,564	1.34%	63,517	1.27%
State sources	4,397,348	83.31%	4,132,728	82.52%
Other	74,824	1.42%	65,766	1.31%
Total general revenues	4,914,921	%	4,635,649	92.56%
<b>Program Revenues</b>				
Charges for services	120,064	2.27%	118,448	2.37%
Operating grants	243,312	4.61%	254,041	5.07%
Total revenues	5,278,297	100.00%	5,008,138	100.00%
<b>Expenses</b>				
Instruction	2,854,421	55.90%	2,696,301	55.30%
Support services	1,657,302	32.45%	1,59,832	32.69%
Community service	0	0%	719	0.01%
Food services	183,541	3.59%	182,168	3.74%
Athletics	147,165	2.88%	142,049	2.91%
Interest on long-term debt	85,688	1.68%	97,361	2.00%
Other	300	.01%	300	0.01%
Unallocated depreciation expense	178,426	3.49%	162,785	3.34%
Total expenses	5,106,843	100.00%	4,875,515	100.00%
Increase (decrease) in net assets	\$ 171,454		\$ 132,623	

# PECK COMMUNITY SCHOOLS

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## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

### Governmental Funds Financial Highlights

The General Fund and the 1996 Debt Retirement Funds are reported separately as major funds in the fund financial statements. Funds reported as "Other Governmental Funds" in the fund financial statements include the Food Service and Athletics Funds. The annual fund financial statements provide the following insights about the results of this year's operations:

- **General Fund**

The General Fund experienced an increase in fund equity of \$48,396 during the year ended June 30, 2007. The District increased spending for an energy efficiency project. Ending fund equity in the General Fund was \$1,801,951 at June 30, 2007, which equates to 36% of revenues for the year. This level is up from \$1,753,555 at June 30, 2006.

- **1996 Debt Retirement Fund**

The 1996 Debt Retirement Fund experienced a decrease in fund equity of \$1,090 during the year ended June 30, 2007.

- **Other Governmental (Special Revenue) Funds**

Other government (special revenue) funds experience an overall increase in fund equity of \$641 during the year.

### General Fund Budget and Actual Expenditures (Operating Highlights)

The School District's budgets are prepared according to the Uniform Budget Act of the State of Michigan law which requires the Board of Education approve the initial budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The initial budget is based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment figures and the resulting staffing requirements, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseen items. As a matter of practice, the School District amends its budget two or three times during the fiscal year to adjust for these changes. These amendments must be approved by the Board of Education prior to the close of the fiscal year on June 30.

# PECK COMMUNITY SCHOOLS

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## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

For the 2006-2007 fiscal year, the District amended the general fund budget several times. The following schedule shows a comparison of the original general fund budgeted revenues and expenditures, the final amended general fund budgeted revenues and expenditures and the actual totals for the fiscal year:

### 2006-2007 General Fund Budgeted Expenditures

Total Expenditures Original Budget	\$5,137,857
Total Expenditures Final Budget	<u>\$5,049,554</u>

Increase (decrease) in Budgeted Expenses      \$ (88,303)

The District's actual general fund expenditures were less than the final budget by \$31,986.

### 2006-2007 General Fund Budgeted Revenues

Total Revenues Original Budget	\$5,092,696
Total Revenues Final Budget	<u>\$5,019,960</u>

Increase (decrease) in Budgeted Revenues      \$ (72,736)

The District's 2006-2007 actual general fund revenues were more than the final budget by \$46,004. The variances between the original and final amended budgets in the General Fund are due primarily to changes in state and federal funding.

The School District is predominantly funded by State Aid, which has increased on a per-pupil basis between years at a modest rate. Unrestricted state aid is determined by the following three variables:

1. State of Michigan State Aid Act per student foundation allowance
2. Student enrollment, blended at 75% of current year's fall count and 25% of prior year's spring count
3. The School District's non-homestead property tax levy

# PECK COMMUNITY SCHOOLS

## Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

### 1. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. Peck Community School's foundation allowance was \$6,875 per student for the 2005-06 and \$7,085 for the 2006-2007 school year.

### 2. Student Enrollment

The District's student enrollment for the fall count of 2006-2007 was 625.00 students. The District's enrollment increased from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2006-2007	623.75	2.6%
2005-2006	608.00	-2.1%
2004-2005	621.00	1.8%
2003-2004	610.23	-.5%
2002-2003	613.21	-1.7%

### 3. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.7809 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property revenue for the 2006-2007 fiscal year was \$140,817.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

<u>Fiscal Year</u>	<u>Non-Hmst. Tax Levy</u>	<u>Increase (Decrease) from prior year</u>
2006-2007	\$140,817	\$ 7,130
2005-2006	\$133,687	\$ 4,955
2004-2005	\$128,732	\$ 7,275
2003-2004	\$121,457	\$13,344
2002-2003	\$108,113	\$ 3,020

# **PECK COMMUNITY SCHOOLS**

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## **Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007**

### **4. Property Taxes Levied For Debt Retirement Fund**

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable value of all properties: homestead and non-homestead. For 2006-2007, the District's debt levy was 3.4 mills that generated revenue of \$231,830.

### **5. Food Sales to Students & Adults (School Lunch Program)**

The District's food and milk sales to students and adults decreased by approximately \$673 from the prior year.

The total revenues from Food Service operations was more than the total expenditures for the year by \$804 in the food services fund.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent's Office, Peck Community Schools.

## BASIC FINANCIAL STATEMENTS

**PECK COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2007

	<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
<b>CURRENT ASSETS:</b>		
Cash		\$ 1,641,878
Accounts receivable		365
Due from other governmental units		749,181
Due from other funds		15,352
Property taxes receivable		<u>1,000</u>
<b>TOTAL CURRENT ASSETS</b>		<u>2,407,776</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets		6,721,575
Less accumulated depreciation		<u>(2,720,122)</u>
<b>TOTAL NONCURRENT ASSETS</b>		<u>4,001,453</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 6,409,229</u></u>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>		
Accounts payable		\$ 8,460
Deferred Revenue		1,832
Accrued salaries & wages		379,475
Accrued payroll taxes		70,968
Accrued interest		7,688
Retirement payable		66,799
Current portion of long term debt		<u>198,374</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>733,597</u>
<b>NONCURRENT LIABILITIES:</b>		
Noncurrent portion of long term debt		1,774,009
Compensated absences		<u>21,920</u>
<b>TOTAL NONCURRENT LIABILITIES</b>		<u>1,795,929</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt		2,029,070
Restricted for debt service		56,740
Unrestricted		<u>1,793,893</u>
<b>TOTAL NET ASSETS</b>		<u>3,879,703</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 6,409,229</u></u>

The accompanying notes are an integral part of the financial statements.



**PECK COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
June 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 2,854,418		\$ 109,052	\$ (2,745,366)
Support services	1,657,298		46,737	(1,610,562)
Community service	-	\$ -		-
Food services	183,539	84,260	87,523	(11,757)
Athletics	147,165	35,803	-	(111,362)
Interest on long-term debt	85,688			(85,688)
Other	300			(300)
Unallocated depreciation	178,426			(178,426)
Total governmental activities	<u>\$ 5,106,834</u>	<u>\$ 120,063</u>	<u>\$ 243,312</u>	<u>(4,743,460)</u>
General revenues:				
Property taxes, levied for general purposes				140,348
Property taxes, levied for debt service				231,829
State of Michigan school aid unrestricted				4,397,348
Transfers from other districts				10,867
Investment revenue				70,564
Miscellaneous				63,957
Total general revenue				<u>4,914,914</u>
Change in net assets				171,454
Net assets, beginning of year				<u>3,708,249</u>
Net assets, end of year				<u>\$ 3,879,703</u>

The accompanying notes are an integral part of the financial statements.

**PECK COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2007

	GENERAL FUND	DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>				
CURRENT ASSETS:				
Cash	\$1,564,576	\$ 56,740	\$ 20,561	\$ 1,641,878
Accounts receivable	365			365
Due from other governmental units	747,468		1,713	749,181
Due from other funds	15,352		361	15,713
<b>TOTAL ASSETS</b>	<b><u>\$2,327,762</u></b>	<b><u>\$ 56,740</u></b>	<b><u>\$ 22,635</u></b>	<b><u>\$ 2,407,137</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
LIABILITIES:				
Accounts payable	\$ 6,375		\$ 2,085	\$ 8,460
Due to other funds	361		-	361
Deferred Revenue	1,832			1,832
Accrued salaries & wages	379,475			379,475
Retirement benefits payable	66,799			66,799
Accrued expenses	70,968			70,968
<b>TOTAL LIABILITIES</b>	<b><u>525,810</u></b>	<b><u>-</u></b>	<b><u>2,085</u></b>	<b><u>527,895</u></b>
FUND BALANCE:				
Unreserved	901,951		20,550	922,501
Designated for capital projects	900,000			900,000
Reserved for debt service		\$ 56,740		56,740
<b>TOTAL FUND BALANCE</b>	<b><u>1,801,951</u></b>	<b><u>56,740</u></b>	<b><u>20,550</u></b>	<b><u>1,879,241</u></b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$2,327,762</u></b>	<b><u>\$ 56,740</u></b>	<b><u>\$ 22,635</u></b>	<b><u>\$ 2,407,136</u></b>

The accompanying notes are an integral part of the financial statements.

**PECK COMMUNITY SCHOOLS**  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets  
June 30, 2007

**Total fund balances--governmental funds** **\$ 1,879,241**

Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the funds

The cost of the capital assets is: 6,721,575  
Accumulated depreciation is: (2,720,122)

Long term liabilities are not due and payable in the current  
period and are not reported in the funds

Bonds payable: (1,700,000)

Bus notes payable: (81,225)

Copier note payable (21,773)

Energy note payable (169,385)

Compensated absences: (21,920)

Accrued interest is not included as a liability in govern-  
mental funds; it is recorded when paid: (7,688)

Balance of taxes receivable at 6/30/07 less allowance for doubtful  
accounts 1,000

**Net assets of governmental activities** **\$ 3,879,703**

The accompanying notes are an integral part of the financial statements.

**PECK COMMUNITY SCHOOLS**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
June 30, 2007

	<b>GENERAL FUND</b>	<b>DEBT RETIREMENT FUND</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
REVENUES:				
Local sources	\$ 269,660	\$ 235,935	\$ 121,166	\$ 626,761
State sources	4,385,638		11,710	4,397,348
Federal sources	155,789		87,523	243,312
<b>TOTAL REVENUES</b>	<b>4,811,088</b>	<b>235,935</b>	<b>220,399</b>	<b>5,267,421</b>
EXPENDITURES:				
Instruction	2,850,778			2,850,778
Supporting services	1,741,333			1,741,333
Facilities Acquisition	267,260			267,260
School activities			330,704	330,704
Capital outlay				-
Debt service:				
Principal retirement		150,000		150,000
Interest		86,725		86,725
Other		300		300
<b>TOTAL EXPENDITURES</b>	<b>4,859,372</b>	<b>237,025</b>	<b>330,704</b>	<b>5,427,100</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(48,284)</u>	<u>(1,090)</u>	<u>(110,305)</u>	<u>(159,680)</u>
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund			110,946	110,946
Loan proceeds	244,003			244,003
Transfers from other districts	10,867			10,867
Payments on loans	(47,244)			(47,244)
Transfer to Athletic Fund	(110,946)			(110,946)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>96,680</b>	<b>-</b>	<b>110,946</b>	<b>207,627</b>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>48,396</u>	<u>(1,090)</u>	<u>641</u>	<u>47,947</u>
FUND BALANCE - BEGINNING OF YEAR	1,753,555	57,830	19,909	1,831,294
FUND BALANCE - END OF YEAR	<u>\$ 1,801,951</u>	<u>\$ 56,740</u>	<u>\$ 20,550</u>	<u>\$ 1,879,241</u>

The accompanying notes are an integral part of the financial statements.

**PECK COMMUNITY SCHOOLS**  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
June 30, 2007

**Total net change in fund balances--governmental funds** **\$ 47,947**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(178,426)
Capital outlay	352,855

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	8,729
Accrued interest payable at the end of the year	(7,688)

Loan proceeds are a revenue in the governmental funds, but not in the statement of activities (where it is an increase of liabilities)	(244,003)
--	-----------

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	197,240
--	---------

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(1,000)
Accrued revenue at the end of the year	1,000

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	16,720
Accrued absences at the end of the year	(21,920)

<b>Change in net assets of governmental activities</b>	<b>\$ 171,454</b>
--	-------------------

The accompanying notes are an integral part of the financial statements.

**PECK COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2007**

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash	\$ 111,178	\$ 64,943
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 111,178</u></b>	<b><u>\$ 64,943</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>		
LIABILITIES:		
Due to general fund		\$ 15,353
Scholarships payable		
Due to student organizations		49,590
<b>TOTAL LIABILITIES</b>	-	64,943
FUND EQUITY:		
Fund balance:		
Reserved for scholarships	\$ 111,178	
<b>FUND BALANCE:</b>	<b>111,178</b>	-
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 111,178</u></b>	<b><u>\$ 64,943</u></b>

The accompanying notes are an integral part of the financial statements.

**PECK COMMUNITY SCHOOLS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**JUNE 30, 2007**

	<b><u>PRIVATE PURPOSE TRUST FUND</u></b>
ADDITIONS:	
Interest	\$      8,132
Donations	<u>          7,840</u>
Total Additions	<u>\$     15,972</u>
 DEDUCTIONS:	
Scholarships awarded	<u>\$      5,190</u>
CHANGE IN NET ASSETS	10,782
NET ASSETS:	
Beginning of year	<u>          100,396</u>
End of year	<u><u>\$    111,178</u></u>

The accompanying notes are an integral part of the financial statements.

**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The basic financial statements of Peck Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**REPORTING ENTITY:**

The Peck Community Schools (the "District") is governed by the Peck Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.



**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):**

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**GOVERNMENTAL FUNDS**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following as major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The debt service fund no longer meets the criteria of a major fund, but is continuing to be reported as such for comparative purposes.

**OTHER NON-MAJOR FUNDS**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets where only the interest may be spent. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):**

**Modified Accrual Method:**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue:**

The State of Michigan utilizes a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007 the foundation allowance was based on the pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2006 - August, 2007. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units.

**State Categorical Revenue:**

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

For the year ended June 30, 2007 approximately \$78,000 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures as a result of a change in funding by the MDE.

**Federal Revenue:**

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**ASSETS, LIABILITIES AND EQUITY:**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The District had no investments at June 30th.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	17.7809
Debt Service Fund- Homestead and non-homestead	3.40

**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**ASSETS, LIABILITIES AND EQUITY, (Continued):**

4. Prepaid items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,500. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

It is the policy of the District that upon the death or retirement or layoff of a teacher from the district, the Board shall pay to the teacher with ten years or more of service, or his/her estate, a sum equal to \$45.00 for each unused accumulated sick days in excess of 50 days. Unused sick days in excess of 100 shall be paid out annually.

7. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30, are accrued, if material.

**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**ASSETS, LIABILITIES AND EQUITY, (Continued):**

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Memorandum Only - Total Column.

The total column on the combined general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

11. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2007. The District does not consider these amendments to be significant.

**NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK:**

As of June 30, 2007, the District had no investments as defined by generally accepted accounting principles.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):**

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$1,498,805 of the District's bank balance of \$1,698,805 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$176,121	\$1,817,998
Investments	<u>0</u>
	<u>\$1,817,998</u>

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trust Fund	\$ 111,178
Cash Agency Fund	64,943
Cash - District wide	1,641,877
Investments - District wide	<u>0</u>
	<u>\$1,817,998</u>

**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 4 – LONG-TERM DEBT:**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

	<b><u>LONG-TERM DEBT</u></b>	
	<b>2007</b>	<b>2006</b>
Balance payable - July 1	\$1,942,340	\$2,081,847
1996 School Building and Site Bonds paid	(150,000)	(150,000)
Bus loans paid	(21,344)	(21,148)
New bus loan	59,003	0
New energy loan	185,000	41,950
Energy loan payment	(15,615)	0
Copier loan paid	(10,281)	(9,896)
Increase (decrease) in accumulated compensated absences	<u>5,200</u>	<u>(413)</u>
Balance payable June 30	<u><b>\$1,994,303</b></u>	<u><b>\$1,942,340</b></u>

Long-term obligation debt at June 30, 2007 is comprised of the following:

1996 school building and site bonds due in annual installments of \$150,000 to \$175,000 through June 2017 with interest from 4.65% to 6.90%	\$1,700,000
2004 bus note with annual payments of \$11,875 through August 2009 with interest at 3.50%	33,237
2006 copy machine note with annual payments of \$11,524 through June 2009 with interest at 3.88%	21,773
2007 bus note with annual payments of \$13,223 through June 2011 with interest at 3.95%	47,988
2007 energy project note with annual payments of \$23,245 through June 2016 with interest at 4.38%	169,385
Obligation under contract for compensated absences	<u>21,920</u>
Total general long-term debt	<u><b>\$1,994,303</b></u>



**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 4 – LONG-TERM DEBT, (Continued):**

The annual requirements to amortize long-term debt outstanding as of June 30, 2007 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$ 198,374	\$ 91,244	\$ 289,618
2009	200,341	82,044	282,385
2010	215,842	73,302	289,144
2011	205,626	63,418	269,044
2012	193,694	53,901	247,595
2013	194,537	44,833	239,370
2014	195,404	35,741	231,145
2015	196,311	26,610	222,921
2016	197,254	25,665	222,919
2017	<u>175,000</u>	<u>24,675</u>	<u>199,675</u>
Accumulated compensated absences	<u>21,920</u>	<u>-</u>	<u>21,920</u>
 TOTALS	 <u>\$1,994,303</u>	 <u>\$521,433</u>	 <u>\$2,515,736</u>

Interest expense (all funds) for the year ended June 30, 2007 was \$99,635. General fund interest expense is included in support services.

**NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:**

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

**PECK COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2007**

**NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN, (Continued):**

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2007 was 16.34% through September 2006 and 17.74% for October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District's contribution to MPSERS for the year ended June 30, 2007, 2006, and 2005 was \$415,600, \$424,289, and \$402,654, respectively, and were equal to the required contribution for those years then ended.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits – Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental, and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:**

Inter-fund receivable and payable balances at June 30<sup>th</sup> 2007 are as follows:

	<b><u>INTERFUND RECEIVABLE</u></b>	<b><u>INTERFUND PAYABLE</u></b>
General Fund	\$15,353	\$ 361
Trust & Agency		15,353
Hot Lunch Fund	<u>361</u>	<u>          </u>
Total	<b><u>\$15,714</u></b>	<b><u>\$15,714</u></b>

The outstanding balances between funds result mainly from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

**NOTE 7 - RISK MANAGEMENT:**

The District is exposed to various risk of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

**PECK COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2007

**NOTE 8 – CAPITAL ASSETS:**

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
Assets not being depreciated – land	\$ 50,000			\$ 50,000
Other capital assets:				
Land improvements	400,409			400,409
Building and additions	4,598,963			4,598,963
Machinery and equipment	943,462	\$293,852	\$81,451	1,155,863
Transportation equipment	497,570	59,003	40,233	516,340
Subtotal	6,440,404	352,855	121,684	6,671,575
Accumulated depreciation	(2,663,380)	(178,426)	(121,684)	(2,720,122)
Net other capital assets:	3,777,024	174,429	0	3,951,453
Net capital assets	<u>\$3,827,024</u>	<u>\$174,429</u>	<u>0</u>	<u>\$4,001,453</u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$178,426. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 9 – TRANSFERS:**

The general fund transferred \$110,946 to the athletic fund during the current fiscal year. The transfer to the athletic fund was to subsidize operations.

**NOTE 10 – COMMITMENTS:**

On April 13, 2006, the School District entered into a Energy Efficiency Project in the amount of \$534,519, \$267,260 of which was paid before June 30, 2006. The balance of \$267,259 was paid during the 2006-2007 school year. In July, 2006, the School District borrowed \$185,000 to finance a portion of the balance due with the rest being paid out of current operations.

## REQUIRED SUPPLEMENTARY INFORMATION

**PECK COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Local	\$ 201,989	\$ 233,959	\$ 269,660	\$ 35,701
State sources	4,432,964	4,377,325	4,385,638	8,313
Federal sources	164,221	155,673	155,789	116
Total Revenues	<u>4,799,174</u>	<u>4,766,957</u>	<u>4,811,088</u>	<u>44,131</u>
EXPENDITURES:				
Instruction	2,878,108	2,853,525	2,850,778	2,747
Support services	1,807,014	1,770,048	1,741,333	28,715
Facilities Acquisition	267,260	267,260	267,260	-
Total Expenditures	<u>4,952,382</u>	<u>4,890,833</u>	<u>4,859,372</u>	<u>31,461</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(153,208)</u>	<u>(123,876)</u>	<u>(48,284)</u>	<u>75,592</u>
OTHER FINANCING SOURCES (USES)				
Payments on loans	(66,101)	(47,127)	(47,244)	(117)
Loan proceeds	293,522	244,003	244,003	-
Transfers from other districts	-	9,000	10,867	1,867
Transfers to other funds	<u>(119,374)</u>	<u>(111,594)</u>	<u>(110,946)</u>	<u>648</u>
TOTAL OTHER FINANCING SOURCES (USES)	108,047	94,282	96,680	2,398
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(45,161)</u>	<u>(29,594)</u>	<u>48,396</u>	<u>77,990</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>1,753,555</u>	<u>1,753,555</u>	<u>1,753,555</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,708,394</u>	<u>\$ 1,723,961</u>	<u>\$ 1,801,951</u>	<u>\$ 77,990</u>

## ADDITIONAL INFORMATION

**PECK COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2007**

	<b>SPECIAL REVENUE</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b><u>ASSETS</u></b>		
Cash	\$ 20,561	\$ 20,561
Due from other funds	361	361
Due from other governmental units	1,713	1,713
<b>TOTAL ASSETS</b>	<b><u>\$ 22,635</u></b>	<b><u>\$ 22,635</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>		
Accounts Payable	\$2,085	\$2,085
Due to other funds	-	-
<b>TOTAL LIABILITIES</b>	<b><u>2,085</u></b>	<b><u>2,085</u></b>
 <b><u>FUND BALANCE</u></b>		
Fund balances:		
Unreserved:		
Undesignated	20,550	20,550
<b>TOTAL FUND BALANCE</b>	<b><u>20,550</u></b>	<b><u>20,550</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 22,635</u></b>	<b><u>\$ 22,635</u></b>

**PECK COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL**  
**FUND TYPES FOR THE YEAR ENDED JUNE 30, 2007**

	<u>SPECIAL REVENUE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES		
Local sources	\$ 121,166	\$ 121,166
State sources	11,710	11,710
Federal sources	<u>87,523</u>	<u>87,523</u>
TOTAL REVENUES	<u>220,399</u>	<u>220,399</u>
EXPENDITURES		
Food services	183,539	183,539
Athletic services	<u>147,165</u>	<u>147,165</u>
TOTAL EXPENDITURES	330,704	330,704
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(110,305)</u>	<u>(110,305)</u>
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	<u>110,946</u>	<u>110,946</u>
TOTAL OTHER FINANCING SOURCES (USES)	110,946	110,946
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>641</u>	<u>641</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>19,909</u>	<u>19,909</u>
FUND BALANCE AT END OF YEAR	<u>\$ 20,550</u>	<u>\$ 20,550</u>



**PECK COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>LOCAL SOURCES:</b>			
Taxes	\$ 141,989	\$ 140,348	\$ (1,641)
Earnings on investments	67,500	65,355	(2,145)
Drivers education - student fees	-	-	-
Other local revenue	24,470	63,957	39,487
<b>Total Local Sources</b>	<u>233,959</u>	<u>269,660</u>	<u>35,701</u>
<b>STATE SOURCES:</b>			
State school aid	4,207,418	4,217,611	10,193
At Risk	78,508	78,460	(48)
Special education	84,208	84,208	0
Middle School Math	7,191	5,359	(1,832)
Drivers Education	-	-	-
Court placed children	-	-	-
Academically Talented Grant	-	-	-
<b>Total State Sources</b>	<u>4,377,325</u>	<u>4,385,638</u>	<u>8,313</u>
<b>FEDERAL SOURCES:</b>			
Title I	70,381	70,381	-
Title V	124	124	-
Title II - A & D	27,313	27,313	-
IDEA - Project #070450	28,400	28,400	-
REAP grant	27,955	27,955	-
Tech prep	-	425	425
Homeland security	-	-	-
SPSR Grant	-	-	-
Safe & Drug Free Schools	1,500	1,191	(309)
<b>Total Federal Sources</b>	<u>155,673</u>	<u>155,789</u>	<u>116</u>
<b>TOTAL REVENUES</b>	<u>\$ 4,766,957</u>	<u>\$ 4,811,088</u>	<u>\$ 44,131</u>

**PECK COMMUNITY SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
ELEMENTARY:			
Professional Salaries	\$ 818,862	\$ 807,018	\$ 11,844
Nonprofessional Salaries	49,708	45,430	4,278
Speech	-	-	-
Insurance benefits	181,672	187,205	(5,533)
FICA & Retirement	220,525	212,563	7,962
Other Benefits	13,940	12,750	1,190
Purchased Services	200	-	200
Supplies	39,650	39,401	250
Capital outlay	200	-	200
Miscellaneous	400	400	-
Total Elementary	<u>1,325,157</u>	<u>1,304,766</u>	<u>20,391</u>
SECONDARY:			
Professional Salaries	663,225	663,546	(321)
Nonprofessional Salaries	12,700	12,686	14
Speech	-	-	-
Insurance benefits	159,818	160,689	(871)
FICA & Retirement	171,617	169,761	1,856
Other Benefits	13,940	4,284	9,656
Purchased Services	14,800	14,038	762
Supplies	17,500	50,425	(32,925)
Capital outlay	200	-	200
Miscellaneous	200	110	90
Total Secondary	<u>1,054,000</u>	<u>1,075,539</u>	<u>(21,539)</u>
AT RISK:			
Professional Salaries	36,101	36,101	-
Nonprofessional Salaries	26,511	26,511	-
Insurance benefits	-	-	-
FICA & Retirement	15,896	15,896	-
Supplies	-	-	-
Total At Risk	<u>78,508</u>	<u>78,508</u>	<u>-</u>

**PECK COMMUNITY SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION (Continued):			
ADDED NEEDS:			
SPECIAL EDUCATION:			
Professional Salaries	\$ 126,670	\$ 126,842	\$ (172)
Nonprofessional Salaries	56,710	56,353	357
Insurance benefits	31,725	31,514	211
FICA & Retirement	46,564	46,263	301
Other Benefits	2,818	1,315	1,504
Purchased Services	4,100	2,891	1,209
Supplies	1,000	1,000	-
Capital outlay	300	-	300
Miscellaneous	200	14	186
Total Special Education	<u>270,087</u>	<u>266,192</u>	<u>3,895</u>
REAP GRANT:			
Professional Salaries	11,871	11,871	-
FICA & Retirement	3,014	3,014	-
Purchased Services	6,500	6,500	-
Supplies	1,570	1,570	-
Capital outlay	5,000	5,000	-
Miscellaneous	-	-	-
Total REAP Grant:	<u>27,955</u>	<u>27,955</u>	<u>-</u>
ACADEMICALLY TALENTED:			
Professional Salaries	-	-	-
Miscellaneous	-	-	-
Total Academically Talented	<u>-</u>	<u>-</u>	<u>-</u>
COMPENSATORY EDUCATION: (Title I)			
Professional Salaries	11,905	11,905	-
Nonprofessional Salaries	32,729	32,729	-
Social Worker	-	-	-
Insurance benefits	14,748	14,748	-
FICA & Retirement	10,999	10,999	-
Purchased Services	-	-	-
Supplies	-	-	-
Total Compensatory Education: (Title I)	<u>70,381</u>	<u>70,381</u>	<u>-</u>

**PECK COMMUNITY SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
ADDED NEEDS:			
COMPENSATORY EDUCATION: (Title II)			
Professional Salaries	\$ 21,207	\$ 21,207	-
Insurance benefits	-	-	-
FICA & Retirement	5,384	5,384	-
Purchased Services	180	180	-
Supplies	542	542	-
Total Compensatory Education (Title II)	<u>27,313</u>	<u>27,313</u>	<u>-</u>
COMPENSATORY EDUCATION (Title V)			
Miscellaneous	<u>124</u>	<u>124</u>	<u>-</u>
TOTAL INSTRUCTION:	<u>2,853,525</u>	<u>2,850,778</u>	<u>\$ 2,747</u>
SUPPORTING SERVICES:			
COUNSELING AND LIBRARY:			
Professional Salaries	112,095	111,129	966
Insurance benefits	7,871	7,849	22
FICA & Retirement	28,461	27,532	929
Other Benefits	-	-	-
Purchased Services	100	11	89
Supplies	2,960	3,398	(438)
Capital outlay	100	-	100
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total Counseling and Library	<u>154,587</u>	<u>152,919</u>	<u>1,668</u>
BUSINESS SERVICES:			
Miscellaneous	5,300	5,261	39
Interest Paid	<u>12,751</u>	<u>12,624</u>	<u>127</u>
Total Business Services	<u>18,051</u>	<u>17,885</u>	<u>166</u>

**PECK COMMUNITY SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
CENTRAL OFFICE:			
Professional Salaries	\$ 186,685	\$ 186,348	\$ 337
Nonprofessional Salaries	141,931	141,043	888
Insurance benefits	68,112	69,225	(1,113)
FICA & Retirement	84,979	80,844	4,135
Purchased Services	35,100	34,035	1,065
Supplies	32,550	31,801	749
Capital outlay	200	-	200
Miscellaneous	4,650	4,452	198
Total Central Office	<u>554,207</u>	<u>547,749</u>	<u>6,458</u>
SECONDARY AND ELEMENTARY OFFICES:			
Professional Salaries	165,516	161,396	4,120
Nonprofessional Salaries	36,802	34,960	1,842
Insurance benefits	72,356	71,348	1,008
FICA & Retirement	51,598	49,750	1,848
Purchased Services	1,700	999	701
Supplies	1,400	1,104	296
Capital outlay	1,000	476	524
Miscellaneous	200	-	200
Total Secondary and Elementary Offices	<u>330,572</u>	<u>320,033</u>	<u>10,539</u>
OPERATION OF PLANT:			
Professional Salaries	35,526	35,390	136
Nonprofessional Salaries	112,550	113,408	(858)
Insurance benefits	29,608	29,092	516
FICA & Retirement	37,355	36,824	531
Purchased Services	90,166	87,516	2,650
Supplies	125,500	126,132	(632)
Capital outlay	3,600	3,016	584
Miscellaneous	1,200	1,093	107
Total Operation of Plant	<u>435,505</u>	<u>432,470</u>	<u>3,035</u>

**PECK COMMUNITY SCHOOLS  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
PUPIL TRANSPORTATION:			
Professional Salaries	\$ 3,670	\$ 3,669	\$ 1
Nonprofessional Salaries	74,118	75,403	(1,285)
Insurance benefits	7,392	7,976	(584)
FICA & Retirement	19,243	15,861	3,382
Purchased Services	38,000	34,353	3,647
Supplies	44,700	42,960	1,740
Capital Outlay	59,003	59,003	-
Miscellaneous	2,600	2,653	(53)
Total Pupil Transportation	<u>248,726</u>	<u>241,878</u>	<u>6,848</u>
STAFF SERVICES:			
IDEA - Project #070450			
Professional Salaries	18,087	18,087	-
Insurance benefits	5,867	5,867	-
FICA & Retirement	4,446	4,446	-
Total IDEA	<u>28,400</u>	<u>28,400</u>	<u>-</u>
 TOTAL SUPPORTING SERVICES:	 <u>1,770,048</u>	 <u>1,741,333</u>	 <u>28,715</u>
 FACILITIES ACQUISITION			
Capital Outlay	<u>267,260</u>	<u>267,260</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>\$ 4,890,833</u>	 <u>\$ 4,859,372</u>	 <u>\$ 31,461</u>

**PECK COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2007

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 14,709	\$ 5,852	\$ 20,561
Inventory	-	-	-
Due from other governmental units	1,713	-	1,713
Due from other funds	361	-	361
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 16,783</u></b>	<b><u>\$ 5,852</u></b>	<b><u>\$ 22,635</u></b>
 <b><u>LIABILITIES &amp; FUND EQUITY</u></b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ 2,085		\$ 2,085
Due to General Fund	-		-
Deferred income			-
<b>TOTAL LIABILITIES</b>	<u>2,085</u>	<u>-</u>	<u>2,085</u>
 <b>FUND BALANCE:</b>			
Fund Balance	<u>14,698</u>	<u>\$ 5,852</u>	<u>20,550</u>
<b>TOTAL FUND BALANCE</b>	<u>14,698</u>	<u>5,852</u>	<u>20,550</u>
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 16,783</u></b>	<b><u>\$ 5,852</u></b>	<b><u>\$ 22,635</u></b>

**PECK COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>COMBINED</u>
REVENUES:			
Local Sources:			
Sale of lunches	\$ 84,260		\$ 84,260
Athletic receipts and student fees		\$ 35,803	35,803
Interest on investments	851	253	1,104
Total Local Sources	<u>85,110</u>	<u>36,056</u>	<u>121,166</u>
State Sources:			
State aid	<u>11,710</u>		<u>11,710</u>
Federal Sources:			
Federal aid, cash	87,523		87,523
Federal aid, commodities	-		-
Total Federal Sources	<u>87,523</u>	<u>-</u>	<u>87,523</u>
TOTAL REVENUES	<u>184,343</u>	<u>36,056</u>	<u>220,399</u>
OTHER FINANCING SOURCES:			
Transfer from General Fund	<u>-</u>	<u>110,946</u>	<u>110,946</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>184,343</u>	<u>147,002</u>	<u>331,345</u>
EXPENDITURES:			
Food and other purchases	89,332		89,332
Salaries	53,389	84,309	137,698
Insurance benefits	15,472	-	15,472
FICA & Retirement	13,095	23,305	36,400
Repairs and other purchased services	1,330	15,672	17,002
Supplies	8,393	13,750	22,142
Miscellaneous	2,527	10,130	12,657
TOTAL EXPENDITURES	<u>183,539</u>	<u>147,165</u>	<u>330,704</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>804</u>	<u>(163)</u>	<u>641</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>13,894</u>	<u>6,015</u>	<u>19,909</u>
FUND BALANCE AT END OF YEAR	<u>\$ 14,698</u>	<u>\$ 5,852</u>	<u>\$ 20,550</u>



**PECK COMMUNITY SCHOOLS**  
**1996 DEBT RETIREMENT FUNDS**  
**BALANCE SHEET**  
June 30, 2007

	<u>June 30, 2007</u>
 <b><u>ASSETS</u></b>	
Cash	<u>\$ 56,740</u>
TOTAL ASSETS	<u><u>\$ 56,740</u></u>
 <b><u>FUND BALANCES</u></b>	
Fund Balance:	
Reserved for debt retirement	<u><u>\$ 56,740</u></u>

**PECK COMMUNITY SCHOOLS**  
**1996 DEBT RETIREMENT FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2007**

	<u>June 30, 2007</u>
REVENUES:	
Local Sources:	
Property taxes	\$ 231,829
Interest	<u>4,105</u>
TOTAL REVENUES	<u>235,935</u>
EXPENDITURES:	
Debt Service:	
Retirement of bonds	150,000
Interest on bonded debt	86,725
Fees	300
Miscellaneous	<u>          </u>
TOTAL EXPENDITURES	<u>237,025</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,090)
FUND BALANCE - BEGINNING OF YEAR	<u>57,830</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 56,740</u></u>

**PECK COMMUNITY SCHOOLS**  
**PRIVATE-PURPOSE TRUST AND AGENCY FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>PRIVATE PURPOSE TRUST</u>	<u>AGENCY FUNDS</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash	\$ 111,178	\$ 64,943	\$ 176,121
<b>TOTAL ASSETS</b>	<u><u>\$ 111,178</u></u>	<u><u>\$ 64,943</u></u>	<u><u>\$ 176,121</u></u>
 <b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Due to student groups		\$ 49,590	\$ 49,590
Due to other funds		15,353	15,353
Total Liabilities	<u>-</u>	<u>64,943</u>	<u>64,943</u>
Fund Equity:			
Fund balance:			
Reserved for scholarships	\$ 111,178		111,178
Total Fund Equity	<u>111,178</u>	<u>-</u>	<u>111,178</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 111,178</u></u>	<u><u>\$ 64,943</u></u>	<u><u>\$ 176,121</u></u>

**PECK COMMUNITY SCHOOLS  
PRIVATE-PURPOSE TRUST FUNDS  
SCHOLARSHIP FUNDS  
COMBINING BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>SCHOLARSHIP FUNDS</u>		
	<u>LONGUSKI</u>	<u>HANNAN</u>	<u>KETTLEWELL</u>
<b>ASSETS</b>			
Cash	\$ 5,104	\$ 56,960	\$ 17,380
<b>TOTAL ASSETS</b>	<u>\$ 5,104</u>	<u>\$ 56,960</u>	<u>\$ 17,380</u>
 <b>LIABILITIES AND FUND EQUITY</b>			
Fund Equity:			
Fund balance:			
Reserved	\$ 5,104	\$ 56,960	\$ 17,380
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 5,104</u>	<u>\$ 56,960</u>	<u>\$ 17,380</u>

# SCHOLARSHIP FUNDS

<u>JOHNSTON</u>	<u>ERNST</u>	<u>LAPANOWSKI</u>	<u>R.E.D.</u>	<u>SONS OF AMERICAN LEGION</u>	<u>McCANHAM</u>	<u>TOTAL</u>
<u>\$ 12,102</u>	<u>\$ 2,408</u>	<u>\$ 2,446</u>	<u>\$ 4,225</u>	<u>\$ 500</u>	<u>\$ 10,053</u>	<u>\$ 111,178</u>
<u><b>\$ 12,102</b></u>	<u><b>\$ 2,408</b></u>	<u><b>\$ 2,446</b></u>	<u><b>\$ 4,225</b></u>	<u><b>\$ 500</b></u>	<u><b>\$ 10,053</b></u>	<u><b>\$ 111,178</b></u>
<u>\$ 12,102</u>	<u>\$ 2,408</u>	<u>\$ 2,446</u>	<u>\$ 4,225</u>	<u>\$ 500</u>	<u>\$ 10,053</u>	<u>\$ 111,178</u>
<u><b>\$ 12,102</b></u>	<u><b>\$ 2,408</b></u>	<u><b>\$ 2,446</b></u>	<u><b>\$ 4,225</b></u>	<u><b>\$ 500</b></u>	<u><b>\$ 10,053</b></u>	<u><b>\$ 111,178</b></u>

**PECK COMMUNITY SCHOOLS**  
**PRIVATE-PURPOSE TRUST FUNDS**  
**SCHOLARSHIP FUNDS**  
**COMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>SCHOLARSHIP FUNDS</u>		
	<u>LONGUSKI</u>	<u>HANNAN</u>	<u>KETTLEWELL</u>
REVENUES			
Local revenues:			
Interest on Investments	\$ 210	\$ 5,937	\$ 768
Donations	600		
Total Revenues	<u>810</u>	<u>5,937</u>	<u>768</u>
EXPENDITURES			
Scholarships awarded	<u>500</u>	<u>1,690</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	310	4,247	768
FUND BALANCE AT BEGINNING OF YEAR	<u>4,794</u>	<u>52,713</u>	<u>16,612</u>
FUND BALANCE AT END OF YEAR	<u>\$ 5,104</u>	<u>\$ 56,960</u>	<u>\$ 17,380</u>

# SCHOLARSHIP FUNDS

<u>JOHNSTON</u>	<u>ERNST</u>	<u>LAPANOWSKI</u>	<u>R.E.D.</u>	<u>SONS OF AMERICAN LEGION</u>	<u>McCANHAM</u>	<u>TOTAL</u>
\$ 567	\$ 128	\$ 96	\$ 186		\$ 240	\$ 8,132
		500	1,240	\$ 500	5,000	7,840
<u>567</u>	<u>128</u>	<u>596</u>	<u>1,426</u>	<u>500</u>	<u>5,240</u>	<u>15,972</u>
<u>500</u>	<u>1,000</u>	<u>250</u>	<u>500</u>	<u>500</u>	<u>250</u>	<u>5,190</u>
67	(872)	346	926	-	4,990	10,782
<u>12,035</u>	<u>3,280</u>	<u>2,100</u>	<u>3,299</u>	<u>500</u>	<u>5,063</u>	<u>100,396</u>
<u>\$ 12,102</u>	<u>\$ 2,408</u>	<u>\$ 2,446</u>	<u>\$ 4,225</u>	<u>\$ 500</u>	<u>\$ 10,053</u>	<u>\$ 111,178</u>

**PECK COMMUNITY SCHOOLS**  
**AGENCY FUNDS**  
**SCHEDULE OF RECEIPTS,**  
**DISBURSEMENTS AND CHANGE IN BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BALANCE JUNE 30, 2006</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2007</u>
Student Council	\$ 3,577			\$ 3,564
Honor Society	643			45
Technology	369			369
Class of 2006	-			-
Class of 2007	4,481			-
Class of 2008	4,475			252
Class of 2009	1,883			3,570
Class of 2010	256			742
Class of 2011	33			608
Class of 2012	-			453
Athletic Complex	1,406			1,495
Computer Club	549			441
Drama Club	642			626
Honors Account	3,086			2,855
Spirit Committee	2,866			2,081
Trip Account	193			-
Athletic Activities	11,947			15,828
Interest	1,284			1,913
Earlier Classes	141			141
Band Boosters	37			1,809
Quiz Bowl Team	-			140
PPTO	8,000			5,521
Equipment Rental	-			292
Industrial Technology Club	-			123
Peck Booster Club	16,908			6,722
<b>TOTALS</b>	<u><u>\$ 62,776</u></u>	<u><u>\$ 179,903</u></u>	<u><u>\$ 193,089</u></u>	<u><u>\$ 49,590</u></u>
<b>GENERAL FUND ACCOUNTS</b>	<u><u>\$ 15,169</u></u>	<u><u>\$ 33,446</u></u>	<u><u>\$ 33,262</u></u>	<u><u>\$ 15,353</u></u>



**PECK COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT -**  
**1996 SCHOOL BUILDING AND SITE BONDS**  
June 30, 2007

<u>YEAR ENDING</u> <u>June 30,</u>	<u>PRINCIPAL</u> <u>DUE</u>	<u>INTEREST</u> <u>DUE</u>	<u>TOTAL PAYMENT</u>
2008	\$ 150,000	\$ 79,750	\$ 229,750
2009	150,000	72,775	222,775
2010	175,000	65,800	240,800
2011	175,000	57,575	232,575
2012	175,000	49,350	224,350
2013	175,000	41,125	216,125
2014	175,000	32,900	207,900
2015	175,000	24,675	199,675
2016	175,000	24,675	199,675
2017	175,000	24,675	199,675
	<u>\$ 1,700,000</u>	<u>\$ 473,300</u>	<u>\$ 2,173,300</u>

Interest Rates                      4.65% to 6.90%

Original Issue                      \$ 3,000,000

Purpose of Issue: The 1996 Bond issue was for building additions, remodeling existing buildings, new furnishings and upgrading technology equipment.

**PECK COMMUNITY SCHOOLS**  
**SCHEDULE OF COPIER NOTE PAYABLE**  
June 30, 2007

<u>YEAR ENDING DATE</u>	<u>ORIGINAL AMOUNT</u>	<u>DUE DATE</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
6/30/06	\$ 41,950					
		06/30/08	3.88%	\$ 845	\$ 10,679	\$ 11,524
		06/30/09	3.88%	172	11,094	11,266
				<u>\$ 1,017</u>	<u>\$ 21,773</u>	<u>\$ 22,790</u>

Purpose of issue - Purchase five new copiers for the school district.

**PECK COMMUNITY SCHOOLS**  
**SCHEDULE OF BUS NOTE PAYABLE**  
June 30, 2007

<u>YEAR ENDING DATE</u>	<u>ORIGINAL AMOUNT</u>	<u>DUE DATE</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
8/4/04	\$ 53,541					
		8/4/2007	3.50%	\$ 1,179	\$ 10,696	\$ 11,875
		8/4/2008	3.50%	802	11,073	11,875
		8/4/2009	3.50%	407	11,468	11,875
				<u>\$ 2,388</u>	<u>\$ 33,237</u>	<u>\$ 35,625</u>

Purpose of issue - Purchase new bus for the school district

**PECK COMMUNITY SCHOOLS**  
**SCHEDULE OF BUS NOTE PAYABLE**  
June 30, 2007

<u>YEAR ENDING DATE</u>	<u>ORIGINAL AMOUNT</u>	<u>DUE DATE</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
07/19/06	\$ 59,003					
		6/25/2008	3.95%	\$ 1,927	\$ 11,296	\$ 13,223
		6/25/2009	3.95%	1,469	11,754	13,223
		6/25/2010	3.95%	999	12,224	13,223
		6/25/2011	3.95%	509	12,714	13,223
				<u>\$ 4,904</u>	<u>\$ 47,988</u>	<u>\$ 52,892</u>

Purpose of issue - Purchase new bus for the school district

**PECK COMMUNITY SCHOOLS**  
**SCHEDULE OF ENERGY PROJECT NOTE PAYABLE**  
June 30, 2007

<u>YEAR ENDING DATE</u>	<u>ORIGINAL AMOUNT</u>	<u>DUE DATE</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
07/21/06	\$ 185,000					
		6/25/2008	4.38%	\$ 7,543	\$ 15,702	\$ 23,245
		6/25/2009	4.38%	6,825	16,420	23,245
		6/25/2010	4.38%	6,095	17,150	23,245
		6/25/2011	4.38%	5,334	17,911	23,245
		6/25/2012	4.38%	4,551	18,694	23,245
		6/25/2013	4.38%	3,708	19,537	23,245
		6/25/2014	4.38%	2,841	20,404	23,245
		6/25/2015	4.38%	1,936	21,311	23,247
		6/25/2016	4.38%	989	22,256	23,245
				<u>\$ 39,822</u>	<u>\$ 169,385</u>	<u>\$ 209,207</u>

Purpose of note - Purchase and install energy efficient equipment.



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 8, 2007

Board of Education  
Peck Community Schools  
Peck, Michigan 48466

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the District's primary government and have issued our report thereon dated August 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Peck Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiency described as 2007-1 in the accompanying schedule of findings and responses to be a material weakness in internal control over financial reporting.

Board of Education  
Peck Community Schools  
August 8, 2007

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as 2007-1 to be a material weakness.

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Peck Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Peck Community Schools in a separate letter dated August 8, 2007.

Peck Community Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Peck Community Schools response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

August 8, 2007

To the Board of Education  
Peck Community Schools  
Peck, MI 48466

## Schedule of Findings and Responses

### Findings considered material weaknesses

#### **Finding 2007-1**

##### Criteria:

Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

##### Condition:

After considering the qualifications of the accounting personnel of Peck Community Schools, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the School District, but they do not have the qualifications and abilities to generate financial statements, including required footnotes, in accordance with accounting principles generally accepted in the United States of America.

##### Cause:

The staff of the district does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

##### Effect:

We assist management with the external financial reporting responsibility to ensure their financial statements are accurate.

##### Recommendation:

We do not recommend any changes to this situation at this time and communicate this as required by professional standards. We believe this meets the definition of a material weakness as defined in Statement on Auditing Standards #112.

##### Client Response:

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

August 8, 2007

Peck Community Schools  
To the Board of Education:

In planning and performing our audit of the financial statements of Peck Community Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Peck Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency does not constitute a material weakness:

### **Compliance with Board Policies**

We found that the policies established by the Board for Athletic and Agency Fund events and fund-raising revenues have not always been followed. Pre-numbered tickets are not always being used at athletic events. That is a key internal control procedure. In addition, all the policies for documenting sales and receipts at athletic events, internal account fund-raising and other agency fund activities involving collection, recording and depositing of cash need to be

reviewed, changed as needed, and enforced. We recommend that the example of policies and procedures and sample forms contained on the MSBO website be used as a basis to revise the School District's policies and forms and that the Board stress to all employees the importance of following Board policies to safeguard the District's assets.

This communication is intended solely for the information and use of management, Peck Community Schools, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt & Doran, P.C.  
Certified Public Accountants